CHAPTER 469

ECONOMIC DEVELOPMENT

469.007 POWERS OF COUNTY AND MULTICOUNTY AUTHORITIES.

Subdivision 1. **Powers.** A county or multicounty authority and its commissioners shall, within the area of operation of the authority, have the same functions, rights, powers, duties, privileges, immunities, and limitations as are provided for housing and redevelopment authorities created for cities, and for the commissioners of those authorities. The provisions of law applicable to housing and redevelopment authorities created for cities and their commissioners shall be applicable to county and multicounty authorities and their commissioners, except as clearly indicated otherwise.

Subd. 2. **Powers as to housing development projects.** When a county or multicounty authority undertakes any housing project or housing development project involving the acquisition of multifamily housing rental properties that (1) were financed under the federal section 8 or section 236 programs, or (2) are designed to be affordable to persons or families with incomes not greater than 80 percent of median income for the metropolitan statistical area or nonmetropolitan county, and are located within any city or town, the authority shall notify the governing body of the city or town in writing of the location of the housing project or housing development project. If the governing body fails to take action on a housing project or housing development project in a writing which sets forth its reasons for the action within 30 days, the governing body is considered to have approved the location of the housing project or housing development project for purposes of any special or general law requiring local approval of the location of housing projects and housing development projects undertaken by county or multicounty authorities.

History: *1989 c 328 art 3 s 4*

469.012 POWERS, DUTIES.

Subdivision 1. **Schedule of powers.** An authority shall be a public body corporate and politic and shall have all the powers necessary or convenient to carry out the purposes of sections 469.001 to 469.047, except that the power to levy and collect taxes or special assessments is limited to the power provided in sections 469.027 to 469.033.

Its powers include the following powers in addition to others granted in sections 469.001 to 469.047:

(1) to sue and be sued; to have a seal, which shall be judicially noticed, and to alter it; to have perpetual succession; and to make, amend, and repeal rules consistent with sections 469.001 to 469.047;

(2) to employ an executive director, technical experts, and officers, agents, and employees, permanent and temporary, that it requires, and determine their qualifications, duties, and compensation; for legal services it requires, to call upon the chief law officer of the city or to employ its own counsel and legal staff; so far as practicable, to use the services of local public bodies in its area of operation, provided that those local public bodies, if requested, shall make the services available;

(3) to delegate to one or more of its agents or employees the powers or duties it deems proper;

(4) within its area of operation, to undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part thereof;

(5) subject to the provisions of section 469.026, to give, sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take action that is necessary or convenient to carry out the purposes of these sections;

(6) within its area of operation, to acquire real or personal property or any interest therein by gifts, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise, and by the exercise of the power of eminent domain, in the manner provided by chapter 117, to acquire real property which it may deem necessary for its purposes, after the adoption by it of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 469.003 or to provide decent, safe, and sanitary housing for persons of low and moderate income, or is necessary to carry out a redevelopment project. Real property needed or convenient for a project may be acquired by the authority for the project by condemnation pursuant to this section. This includes any property devoted to a public use, whether or not held in trust, notwithstanding that the property may have been previously acquired by condemnation or is owned by a public utility corporation, because the public use in conformity with the provisions of sections 469.001 to 469.047 shall be deemed a superior public use. Property devoted to a public use may be so acquired only if the governing body of the municipality has approved its acquisition by the authority. An award of compensation shall not be increased by reason of any increase in the value of the real property caused by the assembly, clearance or reconstruction, or proposed assembly, clearance or reconstruction for the purposes of sections 469.001 to 469.047 of the real property in an area;

(7) within its area of operation, and without the adoption of an urban renewal plan, to acquire, by all means as set forth in clause (6) but without the adoption of a resolution provided for in clause (6), real property, and to demolish, remove, rehabilitate, or reconstruct the buildings and improvements or construct new buildings and improvements thereon, or to so provide through other means as set forth in Laws 1974, chapter 228, or to grade, fill, and construct foundations or otherwise prepare the site for improvements. The authority may dispose of the property pursuant to section 469.029, provided that the provisions of section 469.029 requiring conformance to an urban renewal plan shall not apply. The authority may finance these activities by means of the redevelopment project fund or by means of tax increments or tax increment bonds or by the methods of financing provided for in section 469.033 or by means of contributions from the municipality provided for in section 469.041, clause (9), or by any combination of those means. Real property with buildings or improvements thereon shall only be acquired under this clause when the buildings or improvements are substandard. The exercise of the power of eminent domain under this clause shall be limited to real property which contains buildings and improvements which are

vacated and substandard. For the purpose of this clause, substandard buildings or improvements mean hazardous buildings as defined in section 463.15, subdivision 3, or buildings or improvements that are dilapidated or obsolescent, faultily designed, lack adequate ventilation, light, or sanitary facilities, or any combination of these or other factors that are detrimental to the safety or health of the community;

(8) within its area of operation, to determine the level of income constituting low or moderate family income. The authority may establish various income levels for various family sizes. In making its determination, the authority may consider income levels that may be established by the federal housing administration or a similar or successor federal agency for the purpose of federal loan guarantees or subsidies for persons of low or moderate income. The authority may use that determination as a basis for the maximum amount of income for admissions to housing development projects or housing projects owned or operated by it;

(9) to provide in federally assisted projects any relocation payments and assistance necessary to comply with the requirements of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and any amendments or supplements thereto;

(10) to make, or agree to make, payments in lieu of taxes to the city or the county, the state or any political subdivision thereof, that it finds consistent with the purposes of sections 469.001 to 469.047;

(11) to cooperate with or act as agent for the federal government, the state or any state public body, or any agency or instrumentality of the foregoing, in carrying out any of the provisions of sections 469.001 to 469.047 or of any other related federal, state, or local legislation; and upon the consent of the governing body of the city to purchase, lease, manage, or otherwise take over any housing project already owned and operated by the federal government;

(12) to make plans for carrying out a program of voluntary repair and rehabilitation of buildings and improvements, and plans for the enforcement of laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements, and to the compulsory repair, rehabilitation, demolition, or removal of buildings and improvements. The authority may develop, test, and report methods and techniques, and carry out demonstrations and other activities for the prevention and elimination of slums and blight;

(13) to borrow money or other property and accept contributions, grants, gifts, services, or other assistance from the federal government, the state government, state public bodies, or from any other public or private sources;

(14) to include in any contract for financial assistance with the federal government any conditions that the federal government may attach to its financial aid of a project, not inconsistent with purposes of sections 469.001 to 469.047, including obligating itself (which obligation shall be specifically enforceable and not constitute a mortgage, notwithstanding any other laws) to convey to the federal government the project to which the contract relates upon the occurrence of a substantial default with respect to the covenants or conditions to which the authority is subject; to provide in the contract that, in case of such conveyance, the federal government may complete, operate, manage, lease, convey, or otherwise deal with the project until the defaults are cured if the federal government agrees in the contract to reconvey to the authority the project as then constituted when the defaults have been cured;

(15) to issue bonds for any of its corporate purposes and to secure the bonds by mortgages upon property held or to be held by it or by pledge of its revenues, including grants or contributions;

(16) to invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control or in the manner and subject to the conditions provided in section 475.66 for the deposit and investment of debt service funds;

(17) within its area of operation, to determine where blight exists or where there is unsafe, unsanitary, or overcrowded housing;

(18) to carry out studies of the housing and redevelopment needs within its area of operation and of the meeting of those needs. This includes study of data on population and family groups and their distribution according to income groups, the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages, desirable patterns for land use and community growth, and other factors affecting the local housing and redevelopment needs and the meeting of those needs; to make the results of those studies and analyses available to the public and to building, housing, and supply industries;

(19) if a local public body does not have a planning agency or the planning agency has not produced a comprehensive or general community development plan, to make or cause to be made a plan to be used as a guide in the more detailed planning of housing and redevelopment areas;

(20) to lease or rent any dwellings, accommodations, lands, buildings, structures, or facilities included in any project and, subject to the limitations contained in sections 469.001 to 469.047 with respect to the rental of dwellings in housing projects, to establish and revise the rents or charges therefor;

(21) to own, hold, and improve real or personal property and to sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interest therein;

(22) to insure or provide for the insurance of any real or personal property or operations of the authority against any risks or hazards;

(23) to procure or agree to the procurement of government insurance or guarantees of the payment of any bonds or parts thereof issued by an authority and to pay premiums on the insurance;

(24) to make expenditures necessary to carry out the purposes of sections 469.001 to 469.047;

(25) to enter into an agreement or agreements with any state public body to provide informational service and relocation assistance to families, individuals, business concerns, and nonprofit organizations displaced or to be displaced by the activities of any state public body;

(26) to compile and maintain a catalog of all vacant, open and undeveloped land, or land which contains substandard buildings and improvements as that term is defined in clause (7), that is owned or controlled by the authority or by the governing body within its area of operation and to compile and maintain a catalog of all authority owned real property that is in excess of the foreseeable needs of the authority, in order to determine and recommend if the real property compiled in either catalog is appropriate for disposal pursuant to the provisions of section 469.029, subdivisions 9 and 10;

(27) to recommend to the city concerning the enforcement of the applicable health, housing, building, fire prevention, and housing maintenance code requirements as they relate to residential dwelling structures that are being rehabilitated by low- or moderate-income persons pursuant to section 469.029, subdivision 9, for the period of time necessary to complete the rehabilitation, as determined by the authority;

(28) to recommend to the city the initiation of municipal powers, against certain real properties, relating to repair, closing, condemnation, or demolition of unsafe, unsanitary, hazardous, and unfit buildings, as provided in section 469.041, clause (5);

(29) to sell, at private or public sale, at the price or prices determined by the authority, any note, mortgage, lease, sublease, lease purchase, or other instrument or obligation evidencing or securing a loan made for the purpose of economic development, job creation, redevelopment, or community revitalization by a public agency to a business, for-profit or nonprofit organization, or an individual; and

(30) within its area of operation, to acquire and sell real property that is benefited by federal housing assistance payments, other rental subsidies, interest reduction payments, or interest reduction contracts for the purpose of preserving the affordability of low- and moderate-income multifamily housing.

[For text of subds 3 to 4a, see M.S.1988]

Subd. 5. [Repealed, 1989 c 335 art 1 s 270]

[For text of subds 6 to 11, see M.S.1988]

Subd. 12. **Parking facilities.** An authority may operate and maintain public parking facilities in connection with any of its projects.

History: *1989 c 277 art 2 s 60; 1989 c 328 art 3 s 5*

469.015 LETTING OF CONTRACTS; PERFORMANCE BONDS.

[For text of subds 1 to 3, see M.S.1988]

Subd. 4. **Exceptions.** (a) An authority need not require competitive bidding in the following circumstances:

(1) in the case of a contract for the acquisition of a low-rent housing project:

(i) for which financial assistance is provided by the federal government;

(ii) which does not require any direct loan or grant of money from the municipality as a condition of the federal financial assistance; and

(iii) for which the contract provides for the construction of the project upon land not owned by the authority at the time of the contract, or owned by the authority for redevelopment purposes, and provides for the conveyance or lease to the authority of the project or improvements upon completion of construction;

(2) with respect to a structured parking facility:

(i) constructed in conjunction with, and directly above or below, a development; and

(ii) financed with the proceeds of tax increment or parking ramp revenue bonds; and

(3) in the case of a housing development project if:

(i) the project is financed with the proceeds of bonds issued under section 469.034;

(ii) the project is located on land that is not owned by the authority at the time the contract is entered into, or is owned by the authority only for development purposes, and provides for conveyance or lease to the authority of the project or improvements upon completion of construction; and

(iii) the authority finds and determines that elimination of the public bidding requirements is necessary in order for the housing development project to be economical and feasible.

(b) An authority need not require a performance bond in the case of a contract described in paragraph (a), clause (1).

History: *1989 c 355 s 3*

469.033 PUBLIC REDEVELOPMENT COST; PROCEEDS; FINANCING.

[For text of subds 1 to 5, see M.S.1988]

Subd. 6. **Operation area as taxing district, special tax.** All of the territory included within the area of operation of any authority shall constitute a taxing district for the purpose of levying and collecting special benefit taxes as provided in this subdivision. All of the taxable property, both real and personal, within that taxing district shall be deemed to be benefited by projects to the extent of the special taxes levied under this subdivision. Subject to the consent by resolution of the governing body of the city in and for which it was created, an authority may levy each year a tax upon all taxable property within that taxing district. The authority shall certify the tax to the auditor of the county in which the taxing district is located on or before October 10 each year. The tax shall be extended, spread, and included with and as a part of the general taxes for state, county, and municipal purposes by the county auditor, to be collected and

enforced therewith, together with the penalty, interest, and costs. As the tax, including any penalties, interest, and costs, is collected by the county treasurer it shall be accumulated and kept in a separate fund to be known as the "housing and redevelopment project fund." The money in the fund shall be turned over to the authority at the same time and in the same manner that the tax collections for the city are turned over to the city, and shall be expended only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers signed by the chair of the authority or an authorized representative. The amount of the levy shall be an amount approved by the governing body of the city, but shall not exceed .0081 percent of taxable market value except that in cities of the first class having a population of less than 200,000, the levy shall not exceed .00403 percent of taxable market value. The authority may levy an additional levy, not to exceed .0008 percent of taxable market value, to be used to defray costs of providing informational service and relocation assistance as set forth in section 462.445, subdivision 4. The authority shall each year formulate and file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city or, if no budgets are required to be filed, by August 1. The amount of the tax levy for the following year shall be based on that budget and shall be approved by the governing body.

[For text of subd 7, see M.S.1988]

History: *1989 c 277 art 4 s 61*

469.040 TAX STATUS.

[For text of subd 1, see M.S.1988]

Subd. 2. **Leased property, exception.** Notwithstanding the provisions of subdivision 1, any property other than property to be operated as a parking facility that the authority leases to private individuals or corporations for development in connection with a redevelopment project shall have the same tax status as if the leased property were owned by the private individuals or corporations.

[For text of subd 3, see M.S.1988]

History: *1989 c 277 art 2 s 61*

469.042 AGREEMENTS RESPECTING TAX INCREMENTS AND EQUIVALENTS; PLEDGE FOR BONDS.

[For text of subd 1, see M.S.1988]

Subd. 2. **Original net tax capacity.** Upon or after approval of a redevelopment project of any housing and redevelopment authority under section 469.028, the auditor of the county in which it is situated shall upon request of the authority certify the net tax capacity of all taxable real property within the project area as then most recently determined, which is referred to in this section as the "original net tax capacity." The auditor shall certify to the authority each year thereafter the amount by which the original net tax capacity has increased or decreased, and the proportion which any such increase bears to the total net tax capacity of the real property for that year or the proportion which any such decrease bears to the original net tax capacity. This subdivision and subdivision 3 shall not apply to any redevelopment project, certification of which is requested subsequent to August 1, 1979.

Subd. 3. **Tax increments.** In each subsequent year the county auditor shall include no more than the original net tax capacity of the real property in the net tax capacity upon which the auditor computes the tax capacity rates of all taxes levied by the state, the county, the city or town, the school district and every other taxing district in which the project area is situated. The auditor shall extend all tax capacity rates so determined against the entire net tax capacity of the real property for that year. In each year for which the net tax capacity exceeds the original net tax capacity, the county treasurer

shall remit to the authority, instead of the taxing districts, that proportion of all taxes paid that year on the real property in the project area which the excess net tax capacity bears to the total net tax capacity. The amount so remitted each year is referred to in this section as the "tax increment" for that year. Tax increments received with respect to any redevelopment project shall be segregated by the authority receiving them in a special account on its official books and records until the public redevelopment cost of the project, including interest on all money borrowed therefor, has been fully paid, and the city or other public body in which the project is situated has been fully reimbursed from the tax increments or revenues of the project for any principal and interest on general obligation bonds which it has issued for the project and has paid from taxes levied on other property within its corporate limits. The payment shall be reported to the county auditor, who shall thereafter include the entire net tax capacity of the project area in the net tax capacities upon which tax capacity rates are computed and extended and taxes are remitted to all taxing districts.

[For text of subd 4, see M.S.1988]

History: *1989 c 329 art 13 s 20*

469.043 PROPERTY TAX EXEMPTION.

[For text of subd 1, see M.S.1988]

Subd. 2. **Partial tax exemption.** The governing body of a city in which the proposed development is to be located, after the approval required by subdivision 3, may exempt from all local taxes up to 50 percent of the net tax capacity of the development which represents an increase over the net tax capacity of the property, including both land and improvements, acquired for the development at the time of its original acquisition for redevelopment purposes. If the governing body grants an exemption, the development shall be exempt from any or all county and school district ad valorem property taxes to the extent of and for the duration of the municipal exemption. The tax exemption shall not operate for a period of more than ten years, commencing from the date on which the exemption first becomes effective. No exemption may be granted from payment of special assessments or from the payment of inspection, supervision, and auditing fees of the authority.

The governing body may not approve a tax exemption or a development contract for a development unless it finds by resolution that (1) the land which is part of the proposed development would not, in the foreseeable future, be made available for redevelopment in the manner proposed without the partial exemption; (2) the development plan submitted by the developer will meet a specific housing shortage identified by the city or the authority and will afford maximum opportunity, consistent with the project plan, for redevelopment of the land by private enterprise; and (3) the development plan conforms to the project plan as a whole.

[For text of subds 3 to 5, see M.S.1988]

History: *1989 c 329 art 13 s 20*

469.053 TAX LEVIES; FISCAL MATTERS.

[For text of subds 1 to 3, see M.S.1988]

Subd. 4. **Mandatory city levy.** A city shall, at the request of the port authority, levy a tax in any year for the benefit of the port authority. The tax must not exceed 0.01813 percent of taxable market value. The amount levied must be paid by the city treasurer to the treasurer of the port authority, to be spent by the authority.

[For text of subd 5, see M.S.1988]

Subd. 6. **Discretionary city levy.** Upon request of a port authority, the port authority's city may levy a tax to be spent by and for its port authority. The tax must

enable the port authority to carry out efficiently and in the public interest sections 469.048 to 469.068 to create and develop industrial development districts. The levy must not be more than 0.00282 percent of taxable market value. The county treasurer shall pay the proceeds of the tax to the port authority treasurer. The money may be spent by the authority in performance of its duties to create and develop industrial development districts. In spending the money the authority must judge what best serves the public interest. The levy in this subdivision is in addition to the levy in subdivision 4.

[For text of subds 7 to 11, see M.S.1988]

History: *1989 c 277 art 4 s 62,63*

469.056 EMPLOYEES; CONTRACTS; AUDITS.

[For text of subds 1 to 3, see M.S.1988]

Subd. 4. **Compliance examinations.** At the request of the city or upon the auditor's initiative, the state auditor may make a legal compliance examination of the authority for that city. Each authority examined must pay the total cost of the examination, including the salaries paid to the examiners while actually engaged in making the examination. The state auditor may bill monthly or at the completion of the audit. All collections received must be deposited in the general fund.

[For text of subd 5, see M.S.1988]

History: *1989 c 335 art 4 s 87*

469.059 DEVELOPMENT DISTRICT POWERS.

[For text of subds 1 to 12, see M.S.1988]

Subd. 13. **Tax increment.** The port authority may request that the county auditor of the county of its industrial development district certify the latest net tax capacity of the legally described taxable real property in the request or of all the taxable real property in the district. The auditor shall make the certification. Valuation that is contributed to an areawide tax base under chapter 473F must be excluded from the certification. Each year the auditor shall certify to the authority the amounts and percentages of increase or decrease in the certified net tax capacity. The part of the change that is contributed to an areawide tax base under chapter 473F must be excluded.

The auditor shall compute the tax capacity rates of taxes against the original certified net tax capacity. The auditor shall also extend the rates against any increased net tax capacity. The auditor shall then send the resulting tax increment to the port authority. The procedure to be used for computing and sending the increments is provided in section 469.042, subdivisions 2 and 3.

The port authority shall keep tax increments received for a district in a special account on its official books and records.

The auditor shall send the tax increments to the port authority until the cost, including interest, of redevelopment of the marginal property within the district has been fully reimbursed. The port authority shall report to the auditor when the cost is fully reimbursed. After that the auditor shall compute and extend the tax capacity rates against the entire net tax capacity of the property and send the taxes to all taxing districts. The city council may direct that part or all of the tax collected from the property be pledged and appropriated to pay general obligation bonds of the authority. After the auditor has certified the base net tax capacity used to compute tax increments and while the tax increment is kept in a separate account, the auditor must not include increases in the net tax capacity of the property in the net tax capacity of a taxing district to compute its debt or levy limit or to compute the amount of its state or federal

aid. This subdivision applies to projects for which the port authority requested a certification on the project before August 2, 1979.

[For text of subds 14 to 17, see M.S.1988]

History: *1989 c 329 art 13 s 20*

469.0721 CANNON FALLS; REDWOOD FALLS; PORT AUTHORITY.

Each of the cities of Cannon Falls and Redwood Falls may, by adoption of an enabling resolution in compliance with the procedural requirements of section 469.0723, establish a port authority commission that, subject to section 469.0722, has the same powers as a port authority established under section 469.049, or other law, and a housing and redevelopment authority established under chapter 469, or other law, and is an agency that may administer one or more municipal development districts under section 469.131. The port authority commission may exercise any of these powers within industrial development districts or within other property under the jurisdiction of the commission. The port authority commission may enter into agreements with nonprofit organizations or corporations, including, but not limited to, joint venture and limited partnership agreements, in order to carry out its purposes. If a city establishes a port authority commission under this section, the city shall exercise all the powers in dealing with a port authority that are granted to a city by chapter 458, and all powers in dealing with a housing and redevelopment authority that are granted to a city by chapter 462, or other law.

History: *1989 c 209 art 2 s 41*

469.100 OBLIGATIONS.

[For text of subds 1 to 5, see M.S.1988]

Subd. 6. **Compliance examinations.** At the request of the city or upon the auditor's initiative, the state auditor may make a legal compliance examination of the authority for that city. Each authority examined must pay the total cost of the examination, including the salaries paid to the examiners while actually engaged in making the examination. The state auditor may bill monthly or at the completion of the audit. All collections received must be deposited in the general fund.

History: *1989 c 335 art 4 s 88*

469.107 CITY MAY LEVY TAXES FOR ECONOMIC DEVELOPMENT AUTHORITY.

Subdivision 1. **City tax levy.** A city may, at the request of the authority, levy a tax in any year for the benefit of the authority. The tax must be not more than 0.01813 percent of taxable market value. The amount levied must be paid by the city treasurer to the treasurer of the authority, to be spent by the authority.

[For text of subd 2, see M.S.1988]

History: *1989 c 277 art 4 s 64*

469.121 MINNESOTA ACCOUNT.

Subdivision 1. [Repealed, 1989 c 335 art 4 s 109]

NOTE: Subdivision 1 was also amended by Laws 1989, chapter 209, article 2, section 42, to read as follows:

"Subdivision 1. **Account created.** In the economic development fund continued by section 116J.968, there is created a Minnesota account, to be used by the authority in the manner and for the purposes provided in sections 469.109 to 469.123."

469.129 ISSUANCE OF BONDS.

Subdivision 1. **General obligation bonds.** The governing body may authorize, issue, and sell general obligation bonds to finance the acquisition and betterment of real and

personal property needed to carry out the development program within the development district together with all relocation costs incidental thereto. The bonds shall mature within 30 years from the date of issue and shall be issued in accordance with sections 475.51, 475.53, 475.54, 475.55, 475.56, 475.60, 475.61, 475.62, 475.63, 475.65, 475.66, 475.69, 475.70, 475.71. All tax increments received by the city pursuant to Minnesota Statutes 1978, section 472A.08, shall be pledged for the payment of these bonds and used to reduce or cancel the taxes otherwise required to be extended for that purpose. The bonds shall not be included when computing the city's net debt. Bonds shall not be issued under this paragraph subsequent to August 1, 1979.

[For text of subd 2, see M.S.1988]

History: *1989 c 209 art 2 s 43*

469.144 ESTABLISHMENT; BOARD.

Subdivision 1. **Establishment.** Any county or combination of counties by resolution of the county board or boards may establish a rural development financing authority as a public nonprofit corporation. An authority has the powers and duties conferred and imposed on a private nonprofit corporation by chapter 317A, except as otherwise or additionally provided herein. No such authority shall transact any business or exercise any powers until a certified copy of the resolutions of each participating county board has been submitted to the secretary of state and a certificate of incorporation issued pursuant to section 317A.155. Each resolution shall include all of the provisions required by section 317A.111, subdivision 1. Alternatively, a county may determine by resolution of the county board to exercise the powers granted in this chapter to a rural development finance authority; no filing is required.

[For text of subds 2 and 3, see M.S.1988]

History: *1989 c 304 s 136*

NOTE: Subdivision 1, as amended by Laws 1989, chapter 304, section 136, is effective January 1, 1991. See Laws 1989, chapter 304, section 140.

469.152 PURPOSES.

The welfare of the state requires the active promotion, attraction, encouragement, and development of economically sound industry and commerce through governmental action for the purpose of preventing the emergence of blighted and marginal lands and areas of chronic unemployment. It is the policy of the state to facilitate and encourage action by local government units to prevent the economic deterioration of such areas to the point where the process can be reversed only by total redevelopment through the use of local, state, and federal funds derived from taxation, necessitating relocating displaced persons and duplicating public services in other areas. By the use of the powers and procedures described in sections 469.152 to 469.165, local government units and their agencies and authorities responsible for redevelopment and economic development may prevent occurrence of conditions requiring redevelopment, or aid in the redevelopment of existing areas of blight, marginal land, and avoidance of substantial and persistent unemployment.

The welfare of the state further requires the provision of necessary health care facilities, so that adequate health care services are available to residents of the state at reasonable cost. The welfare of the state further requires the provision of county jail facilities for the purpose of providing adequately for the care, control, and safeguarding of civil rights of prisoners. The welfare of the state requires that, whenever feasible, employment opportunities made available in part by sections 469.152 to 469.165 or other state law providing for similar financing mechanisms should be offered to individuals who are unemployed or who are economically disadvantaged.

The welfare of the state further requires that, whenever feasible, action should be taken to reduce the cost of borrowing by local governments for public purposes.

History: *1989 c 355 s 4*

469.153 DEFINITIONS.

[For text of subd 1, see M.S.1988]

Subd. 2. **Project.** (a) "Project" means (1) any properties, real or personal, used or useful in connection with a revenue producing enterprise, or any combination of two or more such enterprises engaged or to be engaged in generating, transmitting, or distributing electricity, assembling, fabricating, manufacturing, mixing, processing, storing, warehousing, or distributing any products of agriculture, forestry, mining, or manufacture, or in research and development activity in this field; (2) any properties, real or personal, used or useful in the abatement or control of noise, air, or water pollution, or in the disposal of solid wastes, in connection with a revenue producing enterprise, or any combination of two or more such enterprises engaged or to be engaged in any business or industry; (3) any properties, real or personal, used or useful in connection with the business of telephonic communications, conducted or to be conducted by a telephone company, including toll lines, poles, cables, switching, and other electronic equipment and administrative, data processing, garage, and research and development facilities; (4) any properties, real or personal, used or useful in connection with a district heating system, consisting of the use of one or more energy conversion facilities to produce hot water or steam for distribution to homes and businesses, including cogeneration facilities, distribution lines, service facilities, and retrofit facilities for modifying the user's heating or water system to use the heat energy converted from the steam or hot water.

(b) "Project" also includes any properties, real or personal, used or useful in connection with a revenue producing enterprise, or any combination of two or more such enterprises engaged in any business.

(c) "Project" also includes any properties, real or personal, used or useful for the promotion of tourism in the state. Properties may include hotels, motels, lodges, resorts, recreational facilities of the type that may be acquired under section 471.191, and related facilities.

(d) "Project" also includes any properties, real or personal, used or useful in connection with a revenue producing enterprise, whether or not operated for profit, engaged in providing health care services, including hospitals, nursing homes, and related medical facilities.

(e) "Project" does not include any property to be sold or to be affixed to or consumed in the production of property for sale, and does not include any housing facility to be rented or used as a permanent residence.

(f) "Project" also means the activities of any revenue producing enterprise involving the construction, fabrication, sale, or leasing of equipment or products to be used in gathering, processing, generating, transmitting, or distributing solar, wind, geothermal, biomass, agricultural or forestry energy crops, or other alternative energy sources for use by any person or any residential, commercial, industrial, or governmental entity in heating, cooling, or otherwise providing energy for a facility owned or operated by that person or entity.

(g) "Project" also includes any properties, real or personal, used or useful in connection with a county jail or county regional jail, the plans for which are approved by the commissioner of corrections; provided that the provisions of section 469.155, subdivisions 7 and 13, do not apply to those projects.

(h) "Project" also includes any real properties used or useful in furtherance of the purposes and policies of sections 469.135 to 469.141.

(i) "Project" also includes related facilities as defined by section 471A.02, subdivision 11.

(j) "Project" also includes an undertaking to purchase the obligations of local governments located in whole or in part within the boundaries of the municipality that are issued or to be issued for public purposes.

[For text of subds 3 to 6, see M.S.1988]

Subd. 7. **Telephone company.** "Telephone company" means any person, firm, association, including a cooperative association formed pursuant to chapter 308A, or corporation, excluding municipal telephone companies, operating for hire any telephone line, exchange, or system, wholly or partly within this state.

[For text of subds 8 to 12, see M.S.1988]

History: *1989 c 355 s 5; 1989 c 356 s 19*

469.154 DUTIES OF DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT.

[For text of subds 1 and 2, see M.S.1988]

Subd. 3. **Conditions; approval.** No municipality or redevelopment agency shall undertake any project authorized by sections 469.152 to 469.165, except a project referred to in section 469.153, subdivision 2, paragraph (g) or (j), unless its governing body finds that the project furthers the purposes stated in section 469.152, nor until the commissioner has approved the project, on the basis of preliminary information the commissioner requires, as tending to further the purposes and policies of sections 469.152 to 469.165. The commissioner may not approve any projects relating to health care facilities except as permitted under subdivision 6. Approval shall not be deemed to be an approval by the commissioner or the state of the feasibility of the project or the terms of the revenue agreement to be executed or the bonds to be issued therefor, and the commissioner shall state this in communicating approval.

[For text of subd 4, see M.S.1988]

Subd. 5. **Information to energy and economic development authority.** Each municipality and redevelopment agency upon entering into a revenue agreement, except one pertaining to a project referred to in section 469.153, subdivision 2, paragraph (g) or (j), shall furnish the energy and economic development authority on forms the authority prescribes the following information concerning the project: The name of the contracting party, the nature of the enterprise, the location, approximate number of employees, the general terms and nature of the revenue agreement, the amount of bonds or notes issued, and other information the energy and economic development authority deems advisable. The energy and economic development authority shall keep a record of the information which shall be available to the public at times the authority prescribes.

[For text of subds 6 and 7, see M.S.1988]

History: *1989 c 355 s 6,7*

469.155 POWERS.

[For text of subd 1, see M.S.1988]

Subd. 2. **Project acquisition.** It may acquire, construct, and hold any lands, buildings, easements, water and air rights, improvements to lands and buildings, and capital equipment to be located permanently or used exclusively on a designated site and solid waste disposal and pollution control equipment, and alternative energy equipment and inventory, regardless of where located, that are deemed necessary in connection with a project to be situated within the state, and construct, reconstruct, improve, better, and extend the project. It may also pay part or all of the cost of an acquisition and construction by a contracting party under a revenue agreement.

In the case of a project described in section 469.153, subdivision 2, paragraph (j), it may purchase obligations issued by a local unit of government that is located in whole or in part within the boundaries of the municipality at public sale, or at private sale if the obligations may be sold in that manner under the law authorizing their issuance. The obligations must be issued under a capital improvement plan or program of at least five years.

Subd. 3. **Revenue bonds.** (a) It may issue revenue bonds, in anticipation of the collection of revenues of a project to be situated within the state, to finance, in whole or in part, the cost of the acquisition, construction, reconstruction, improvement, betterment, or extension thereof.

(b) It may issue revenue bonds to purchase the obligations of local government units located in whole or in part within the boundaries of the municipality. The proceeds of bonds issued to purchase obligations as provided under this paragraph may be disbursed or otherwise used to pay underwriter's or placement fees, expenses, or other costs of issuance and sale for the bonds only on a pro rata basis determined with respect to the portion of the proceeds that are used to purchase the obligations. The municipality may not pay the underwriter's or placement fees, expenses, or other costs of issuance and sale out of other money.

[For text of subd 4, see M.S.1988]

Subd. 5. **Revenue agreements.** It may enter into a revenue agreement with any person, firm, or public or private corporation or federal or state governmental subdivision or agency so that payments required thereby to be made by the contracting party are fixed and revised as necessary to produce income and revenue sufficient to provide for the prompt payment of principal of and interest on all bonds issued hereunder when due. The revenue agreement must also provide that the contracting party is required to pay all expenses of the operation and maintenance of the project including adequate insurance thereon and insurance against all liability for injury to persons or property arising from its operation, and all taxes and special assessments levied upon or with respect to the project and payable during the term of the revenue agreement. During the term of the revenue agreement, except as provided in subdivision 17, a tax shall be imposed and collected upon the project or, pursuant to the provisions of section 272.01, subdivision 2, for the privilege of using and possessing the project, in the same amount and to the same extent as though the contracting party were the owner of all real and personal property comprising the project. No revenue agreement is required in connection with a project described in section 469.153, subdivision 2, paragraph (j).

[For text of subds 6 to 17, see M.S.1988]

History: *1989 c 355 s 8-10*

469.162 SOURCE OF PAYMENT FOR BONDS.

[For text of subd 1, see M.S.1988]

Subd. 2. **Tax increments; pre-1979 projects.** (a) Any municipality or redevelopment agency may request the county auditor of the county in which a project is situated to certify the original net tax capacity of the real property included therein and the tax increments realized each year after the commencement of the project, as defined in section 469.042, and shall be entitled to receive, use, and pledge the tax increments for the further security of the revenue bonds issued to finance the project, in either of the following ways:

(1) to pay premiums for insurance guaranteeing the payment of net rentals when due under the project lease; or

(2) to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds.

(b) Tax increments with respect to any industrial development project shall be segregated and specially accounted for by the county treasurer until all bonds issued to finance the project have been fully paid; but the county treasurer shall remit the same to the municipality or redevelopment agency only in the amount certified to the treasurer to be required for any of the purposes stated in paragraph (a). The amount so needed shall be certified annually to the county auditor and treasurer by the municipality or redevelopment agency on or before October 1. Any tax increment remaining in any year after the remittance shall, when collected, be distributed among

all of the taxing districts levying taxes on the project area, in proportion to the amounts levied by them. This subdivision shall not apply to a project, certification of which is requested subsequent to August 1, 1979.

[For text of subd 3, see M.S.1988]

History: *1989 c 329 art 13 s 20*

469.170 TAX CLASSIFICATION OF EMPLOYMENT PROPERTY.

Subdivision 1. **Municipal applications.** The governing body of any municipality that contains an enterprise zone designated under section 469.167 shall by resolution establish a program for classification of new property or improvements to existing property as employment property pursuant to the provisions of this section. Applications for classification under the program shall be filed with the municipal clerk or auditor in a form prescribed by the commissioner of revenue, with additions as prescribed by the governing body. The application shall contain, where appropriate, a legal description of the parcel of land on which the facility is to be situated or improved; a general description of the facility or improvement and its proposed use; the probable time schedule for undertaking any construction or improvement; and information regarding the findings required in subdivision 4; the market value and the net tax capacity of the land and of all other taxable property then situated on it, according to the most recent assessment; and, if the property is to be improved or expanded, an estimate of the probable cost of the new construction or improvement and the market value of the new or improved facility (excluding land) when completed.

[For text of subds 2 and 3, see M.S.1988]

Subd. 4. **Hardship area zone criteria.** In the case of hardship area zones, an application shall not be approved unless the governing body finds that the construction or improvement of the facility:

(1) is reasonably likely to create new employment or prevent a loss of employment in the municipality;

(2) is not likely to have the effect of transferring existing employment from one or more other municipalities within the state;

(3) is not likely to cause the total market value of employment property within the municipality to exceed five percent of the total market value of all taxable property within the municipality; or, if it will, considering the amount of additional municipal services likely to be required for the employment property, is not likely to substantially impede the operation or the financial integrity of the municipality or any other public body levying taxes on property in the municipality; and

(4) will not result in the reduction of the net tax capacity of existing property within the municipality owned by the applicant, through abandonment, demolition, or otherwise, without provision for the restoration of the existing property within a reasonable time in a manner sufficient to restore the net tax capacity.

[For text of subds 5 to 9, see M.S.1988]

History: *1989 c 329 art 13 s 20*

469.173 ADMINISTRATION.

[For text of subds 1 to 4, see M.S.1988]

Subd. 5. **Information sharing.** Pursuant to section 270B.14, subdivision 3, the commissioner of revenue may share information with the commissioner or with a municipality receiving an enterprise zone designation, insofar as necessary to administer the funding limitations provided by section 469.169, subdivision 7.

[For text of subds 6 and 7, see M.S.1988]

History: *1989 c 184 art 2 s 29*

469.174 DEFINITIONS.

[For text of subds 1 to 3, see M.S.1988]

Subd. 4. **Captured net tax capacity.** "Captured net tax capacity" means the amount by which the current net tax capacity of a tax increment financing district exceeds the original net tax capacity, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity.

[For text of subds 5 and 6, see M.S.1988]

Subd. 7. **Original net tax capacity.** (a) Except as provided in paragraph (b), "original net tax capacity" means the tax capacity of all taxable real property within a tax increment financing district as most recently certified by the commissioner of revenue as of the date of the request by an authority for certification by the county auditor, together with subsequent adjustments as set forth in section 469.177, subdivisions 1 and 4. In determining the original net tax capacity the net tax capacity of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the net tax capacity of the property shall be the net tax capacity as most recently determined by the commissioner of revenue.

(b) The original net tax capacity of any designated hazardous substance site or hazardous substance subdistrict shall be determined on January 2 following the date the agency or municipality certifies to the county auditor that the agency or municipality has entered a redevelopment or other agreement for the removal actions or remedial actions specified in a development response action plan, or otherwise provided funds to finance the development response action plan. The original net tax capacity equals (i) the net tax capacity of the parcel, as most recently determined by the commissioner of revenue, less (ii) the estimated reasonable and necessary costs of the removal actions and remedial actions as specified in a development response action plan to be undertaken with respect to the parcel as certified to the county auditor by the municipality or agency, (iii) but not less than zero.

(c) The original net tax capacity of a hazardous substance site or subdistrict shall be increased by the amount by which it was reduced pursuant to paragraph (b), clause (ii), upon certification by the municipality that the removal and remedial actions specified in the development response action plan, except for long-term monitoring and similar activities, have been completed.

(d) For purposes of this subdivision, "real property" shall include any property normally taxable as personal property by reason of its location on or over publicly owned property.

Subd. 8. **Project.** "Project" means a project as described in section 469.142; an industrial development district as described in section 469.058, subdivision 1; an economic development district as described in section 469.101, subdivision 1; a project as defined in section 469.002, subdivision 12; a development district as defined in section 469.125, subdivision 9, or any special law; or a project as defined in section 469.153, subdivision 2, paragraph (a), (b), or (c).

Subd. 9. **Tax increment financing district.** "Tax increment financing district" or "district" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 469.175, subdivision 1, for the purpose of financing redevelopment, mined underground space development, housing or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

[For text of subds 10 to 19, see M.S.1988]

History: *1989 c 277 art 2 s 62; 1989 c 329 art 13 s 20*

469.175 ESTABLISHING, MODIFYING TAX INCREMENT FINANCING PLAN, ANNUAL ACCOUNTS.

Subdivision 1. **Tax increment financing plan.** A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administration expenses;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent net tax capacity of taxable real property within the tax increment financing district;

(v) the estimated captured net tax capacity of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district's existence;

(6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district.

[For text of subd 1a, see M.S.1988]

Subd. 2. **Consultations; comment and filing.** Before formation of a tax increment financing district, the authority shall provide an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its estimate of the fiscal and economic implications of the proposed tax increment financing district. The information on the fiscal and economic implications of the plan must be provided to the county and school district boards at least 30 days before the public hearing required by subdivision 3. The 30-day requirement is waived if the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information. The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3. Upon adoption of the tax increment financing plan, the authority shall file a copy of the plan with the commissioner of revenue. The authority must also file with the commissioner a copy of the development plan for the project area.

Subd. 3. **Municipality approval.** A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a mined underground space development district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) to (5), must be retained and made available to the public by the authority until the district has been terminated.

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

Subd. 4. **Modification of plan.** (a) A tax increment financing plan may be modified by an authority, provided that any reduction or enlargement of geographic area of the project or tax increment financing district, increase in amount of bonded indebtedness to be incurred, including a determination to capitalize interest on the debt if that determination was not a part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized, increase in the portion of the captured net tax capacity to be retained by the authority, increase in total estimated tax increment expenditures or designation of additional property to be acquired by the authority shall be approved upon the notice and after the discussion, public hearing, and findings required for approval of the original plan; provided that if an authority changes the type of district from housing, redevelopment, or economic development to another type of district, this change shall not be considered a modification but shall require the authority to follow the procedure set forth in sections 469.174 to 469.179 for adoption of a new plan, including certification of the net tax capacity of the district by the county auditor. If a redevelopment district is enlarged, the reasons and supporting facts for

the determination that the addition to the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) to (5), must be documented. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcels from the project or district and (2)(A) the current net tax capacity of the parcels eliminated from the district equals or exceeds the net tax capacity of those parcels in the district's original net tax capacity or (B) the authority agrees that, notwithstanding section 469.177, subdivision 1, the original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated from the district. The authority must notify the county auditor of any modification that reduces or enlarges the geographic area of a district or a project area.

(b) The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor or after August 1, 1984, for tax increment financing districts authorized prior to August 1, 1979.

Subd. 5. **Annual disclosure.** For all tax increment financing districts, whether created prior or subsequent to August 1, 1979, on or before July 1 of each year, the authority shall submit to the county board, the school board, the commissioner of revenue and, if the authority is other than the municipality, the governing body of the municipality, a report of the status of the district. The report shall include the following information: the amount and the source of revenue in the account, the amount and purpose of expenditures from the account, the amount of any pledge of revenues, including principal and interest on any outstanding bonded indebtedness, the original net tax capacity of the district, the captured net tax capacity retained by the authority, the captured net tax capacity shared with other taxing districts, the tax increment received, and any additional information necessary to demonstrate compliance with any applicable tax increment financing plan. An annual statement showing the tax increment received and expended in that year, the original net tax capacity, captured net tax capacity, amount of outstanding bonded indebtedness, and any additional information the authority deems necessary shall be published in a newspaper of general circulation in the municipality.

Subd. 6. **Financial reporting.** (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

(1) provide for full disclosure of the sources and uses of public funds in the district;

(2) permit comparison and reconciliation with the affected local government's accounts and financial reports;

(3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;

(4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor, on or before July 1, a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county and school district boards and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a).

(c) The annual financial report must also include the following items:

(1) the original net tax capacity of the district;

(2) the captured net tax capacity of the district, including the amount of any captured net tax capacity shared with other taxing districts;

(3) the outstanding principal amount of bonds issued or other loans incurred to finance project costs in the district;

(4) for the reporting period and for the duration of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:

(i) acquisition of land and buildings through condemnation or purchase;

(ii) site improvements or preparation costs;

(iii) installation of public utilities or other public improvements;

(iv) administrative costs, including the allocated cost of the authority;

(5) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer;

(6) the amount of tax exempt obligations, other than those reported under clause (3), that were issued on behalf of private entities for facilities located in the district.

(d) The reporting requirements imposed by this subdivision are in lieu of the annual disclosure required by subdivision 5.

Subd. 7. **Creation of hazardous substance subdistrict; response actions.** (a) A municipality or authority which is creating or has created a tax increment financing district may establish within the district a hazardous substance subdistrict upon the notice and after the discussion, public hearing, and findings required for approval of the original plan. The geographic area of the subdistrict is made up of any parcels in the district designated for inclusion by the municipality or authority that are designated hazardous substance sites, and any additional parcels in the district designated for inclusion that are contiguous to the hazardous substances sites except for the interposition of a right-of-way. Before or at the time of approval of the tax increment financing plan, the municipality must make the findings under paragraphs (b) to (d), and set forth in writing the reasons and supporting facts for each.

(b) Development or redevelopment of the site, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the hazardous substance district is deemed necessary.

(c) Other parcels that are not designated hazardous substance sites are expected to be developed together with a designated hazardous substance site.

(d) The subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the municipality to provide for the additional costs due to the designated hazardous substance site.

(e) Upon request by a municipality or authority that has incurred expenses for removal or remedial actions to implement a development response action plan, the attorney general may:

(1) bring a civil action on behalf of the municipality or authority to recover the expenses, including administrative costs and litigation expenses, under section 115B.04 or other law; or

(2) assist the municipality or agency in bringing an action as described in clause (1), by providing legal and technical advice, intervening in the action, or other appropriate assistance.

The decision to participate in any action to recover expenses is at the discretion of the attorney general.

(f) If the attorney general brings an action as provided in paragraph (e), clause (1), the municipality or authority shall certify its reasonable and necessary expenses incurred to implement the development response action plan and shall cooperate with the attorney general as required to effectively pursue the action. The certification by the municipality or authority is prima facie evidence that the expenses are reasonable and necessary. The attorney general may deduct litigation expenses incurred by the attorney general from any amounts recovered in an action brought under paragraph (e), clause (1). The municipality or authority shall reimburse the attorney general for litigation expenses not recovered in an action under paragraph (e), clause (1), and for

litigation expenses incurred to assist in bringing an action under paragraph (e), clause (2). All money recovered or paid to the attorney general for litigation expenses under this paragraph shall be paid to the general fund of the state for deposit to the account of the attorney general. For the purposes of this section, "litigation expenses" means attorney fees and costs of discovery and other preparation for litigation.

(g) The municipality or authority shall reimburse the pollution control agency for its administrative expenses incurred to review and approve a development action response plan and associated activities, and for expenses incurred for any services rendered to the attorney general to support the attorney general in actions brought or assistance provided under paragraph (e). All money paid to the pollution control agency under this paragraph shall be deposited in the environmental response, compensation and compliance fund.

(h) Actions taken by a municipality or authority consistent with a development response action plan are deemed to be authorized response actions for the purpose of section 115B.17, subdivision 12. A municipality or agency that takes actions consistent with a development response action plan qualifies for the defenses available under sections 115B.04, subdivision 11, and 115B.05, subdivision 9.

(i) All money recovered by a municipality or authority in an action brought under paragraph (e) in excess of the amounts paid to the attorney general and the pollution control agency must be treated as excess increments and be distributed as provided in section 469.176, subdivision 2, clause (4), to the extent the removal and remedial actions were initially financed with increment revenues.

History: *1989 c 277 art 2 s 63; 1989 c 329 art 13 s 20; 1989 c 335 art 1 s 246,247*

469.176 LIMITATIONS.

Subdivision 1. **Duration of tax increment financing districts.** (a) Subject to the limitations contained in paragraphs (b) to (f), any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding.

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

(d) No tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original net tax capacity of the taxable real property in the district by the county auditor or after August 1, 1982, for tax increment financing districts authorized prior to August 1, 1979, unless within the three-year period (1) bonds have been issued pursuant to section 469.178, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to sections 469.152 to 469.165, prior to August 1, 1979, or (2) the authority has acquired property within the district, or (3) the authority has constructed or caused to be constructed public improvements within the district.

(e) No tax increment shall in any event be paid to the authority from a redevelopment district after 25 years from date of receipt by the authority of the first tax increment, after 25 years from the date of the receipt for a housing district, after 25 years from the date of the receipt for a mined underground space development district, after 12 years from approval of the tax increment financing plan for a soils condition district, and after eight years from the date of the receipt, or ten years from approval

of the tax increment financing plan, whichever is less, for an economic development district.

For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after April 1, 2001, or the term of a non-defeased bond or obligation outstanding on April 1, 1990, secured by increments from the district or project area, whichever time is greater, provided that in no case will a tax increment be paid to an authority after August 1, 2009, from such a district. If a district's termination date is extended beyond April 1, 2001, because bonds were outstanding on April 1, 1990, with maturities extending beyond April 1, 2001, the following restrictions apply. No increment collected from the district may be expended after April 1, 2001, except to pay or defease (i) bonds issued before April 1, 1990, or (ii) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs, provided the average maturity of the refunding bonds does not exceed the bonds refunded.

(f) Modification of a tax increment financing plan pursuant to section 469.175, subdivision 4, shall not extend the durational limitations of this subdivision.

(g) If a parcel of a district is part of a designated hazardous substance site or a hazardous substance subdistrict, tax increment may be paid to the authority from the parcel for longer than the period otherwise provided by this subdivision. The extended period for collection of tax increment begins on the date of receipt of the first tax increment from the parcel that is more than any tax increment received from the parcel before the date of the certification under section 469.175, subdivision 7, paragraph (b), and received after the date of certification to the county auditor described in section 469.175, subdivision 7, paragraph (b). The extended period for collection of tax increment is the lesser of: (1) 25 years from the date of commencement of the extended period; or (2) the period necessary to recover the costs of removal actions or remedial actions specified in a development response action plan.

[For text of subds 2 to 4b, see M.S.1988]

Subd. 4c. **Economic development districts.** Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if at least 25 percent of the buildings and facilities (determined on the basis of square footage) are used for the purposes listed in section 144(a)(8) of the Internal Revenue Code of 1986 (determined without regard to the 25 percent restriction in subparagraph (A)). The restrictions under this paragraph apply only to districts located in development regions, as defined in section 462.384, with populations in excess of 1,000,000. Population must be determined under the provisions of section 477A.011.

[For text of subd 4d, see M.S.1988]

Subd. 4e. **Hazardous substance subdistricts.** The additional tax increment received by the municipality from a hazardous substance subdistrict as a result of a reduction in original net tax capacity pursuant to section 469.174, subdivision 7, paragraph (b), or as a result of the extension of the period for collection of tax increment from a hazardous substance site or subdistrict provided for in subdivision 1, paragraph (g), may be used only to pay or reimburse the costs of: (1) removal actions or remedial actions with respect to hazardous substances or pollutants or contaminants or petroleum releases affecting or which may affect the designated hazardous substance site; (2) pollution testing, demolition, and soil compaction correction necessitated by the development response action plan for the designated hazardous substance site; and (3) related administrative and legal costs, including costs of review and approval of development response action plans by the pollution control agency and litigation expenses of the attorney general.

[For text of subds 4f to 5, see M.S.1988]

Subd. 6. **Action required.** If, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district.

[For text of subd 7, see M.S.1988]

History: *1989 c 277 art 2 s 64; 1989 c 329 art 13 s 20*

469.177 COMPUTATION OF TAX INCREMENT.

Subdivision 1. **Original net tax capacity.** Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district, reduction or enlargement of the district or changes pursuant to subdivision 4. In the case of a mined underground space development district the county auditor shall certify the original net tax capacity as zero, plus the net tax capacity, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04. For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed. The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable shall be equal to the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. The amount to be added to the original net tax capacity of the district as a result of enlargements thereof shall be equal to the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4. For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the net tax capacity of a property increases because the property no longer qualifies under the Minnesota agricultural property tax law, section 273.111; the Minnesota open space property tax law, section 273.112; or the metropolitan agricultural preserves act, chapter 473H, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in net tax capacity must be added to

the original net tax capacity. Each year the auditor shall also add to the original net tax capacity of each economic development district an amount equal to the original net tax capacity for the preceding year multiplied by the average percentage increase in the net tax capacity of all property included in the economic development district during the five years prior to certification of the district. The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

Subd. 1a. **Original tax capacity rate.** At the time of the initial certification of the original net tax capacity for a tax increment financing district, the county auditor shall certify the original tax capacity rate that applies to the district. The original tax capacity rate is the sum of all the tax capacity rates that apply to a property in the district for the taxes payable in the calendar year in which the initial certification of original net tax capacity is requested under subdivision 1. If the total tax capacity rate applicable to properties in the tax increment financing district varies, the tax capacity rate must be computed by determining the average total tax capacity rate in the district, weighted on the basis of net tax capacity. The resulting tax capacity rate is the original tax capacity rate for the life of the district.

Subd. 2. **Captured net tax capacity.** The county auditor shall certify the amount of the captured net tax capacity to the authority each year, together with the proportion that the captured net tax capacity bears to the total net tax capacity of the real property within the tax increment financing district for that year.

(a) An authority may choose to retain any part or all of the captured net tax capacity for purposes of tax increment financing according to one of the following options:

(1) If the plan provides that all the captured net tax capacity is necessary to finance or otherwise make permissible expenditures under section 469.176, subdivision 4, the authority may retain the full captured net tax capacity.

(2) If the plan provides that only a portion of the captured net tax capacity is necessary to finance or otherwise make permissible expenditures under section 469.176, subdivision 4, only that portion shall be set aside and the remainder shall be distributed among the affected taxing districts by the county auditor.

(b) The portion of captured net tax capacity that an authority intends to use for purposes of tax increment financing must be clearly stated in the tax increment financing plan.

Subd. 3. **Tax increment, relationship to chapter 473F.** (a) Unless the governing body elects pursuant to clause (b) the following method of computation shall apply:

(1) The original net tax capacity and the current net tax capacity shall be determined before the application of the fiscal disparity provisions of chapter 473F. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax capacity rates. The tax capacity rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax capacity rates or (B) the original tax capacity rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

(b) The governing body may, by resolution approving the tax increment financing plan pursuant to section 469.175, subdivision 3, elect the following method of computation:

(1) The original net tax capacity shall be determined before the application of the fiscal disparity provisions of chapter 473F. The current net tax capacity shall exclude any fiscal disparity commercial-industrial net tax capacity increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 473F.08, subdivision 6. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax capacity rates. The tax capacity rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax capacity rates or (B) the original tax capacity rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

(3) An election by the governing body pursuant to paragraph (b) shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to paragraph (a) or (b) shall remain the same for the duration of the district, except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b).

Subd. 4. **Prior planned improvements.** The authority shall, after diligent search, accompany its request for certification to the county auditor pursuant to subdivision 1, or its notice of district enlargement pursuant to section 469.175, subdivision 4, with a listing of all properties within the tax increment financing district or area of enlargement for which building permits have been issued during the 18 months immediately preceding approval of the tax increment financing plan by the municipality pursuant to section 469.175, subdivision 3. The county auditor shall increase the original net tax capacity of the district by the net tax capacity of each improvement for which a building permit was issued.

[For text of subds 5 and 6, see M.S.1988]

Subd. 7. **Property classification changes.** When any law governing the classification of real property and determining the percentage of market value to be assessed for ad valorem taxation purposes is amended, the increase or decrease in net tax capacity resulting therefrom shall be applied proportionately to original net tax capacity and captured net tax capacity of any tax increment financing district in each year thereafter. This subdivision applies to tax increment districts created pursuant to sections 469.174 to 469.178 or any prior tax increment law.

[For text of subd 8, see M.S.1988]

Subd. 9. **Distributions of excess taxes on captured net tax capacity.** (a) If the amount of tax paid on captured net tax capacity exceeds the amount of tax increment, the county auditor shall distribute the excess to the municipality, county, and school district as follows: each governmental unit's share of the excess equals

(1) the total amount of the excess for the tax increment financing district, multiplied by

(2) a fraction, the numerator of which is the current tax capacity rate of the governmental unit less the governmental unit's tax capacity rate for the year the original tax capacity rate for the district was certified (in no case may this amount be less than zero) and the denominator of which is the sum of the numerators for the municipality, county, and school district.

If the entire increase in the tax capacity rate is attributable to a taxing district, other than the municipality, county, or school district, then the excess must be distributed to the municipality, county, and school district in proportion to their respective tax capacity rates.

(b) The amounts distributed shall be deducted in computing the levy limits of the taxing district for the succeeding taxable year.

(c) In the case of distributions to a school district, the county auditor shall report amounts distributed to the commissioner of education in the same manner as provided for excess increments under section 469.176, subdivision 2, and the distribution shall be treated as an excess increment for purposes of section 124.214, subdivision 3.

[For text of subd 10, see M.S.1988]

History: *1989 c 1 s 6; 1989 c 329 art 13 s 20*

469.180 ECONOMIC DEVELOPMENT AGREEMENTS WITH SUBDIVISIONS AND CORPORATIONS OF OTHER STATES.

[For text of subd 1, see M.S.1988]

Subd. 2. **Tax levies.** Notwithstanding any law, the county board of any county may appropriate from the general revenue fund a sum not to exceed a county levy of 0.00080 percent of taxable market value to carry out the purposes of this section.

History: *1989 c 277 art 4 s 65*

469.187 EXPENDITURE FOR PUBLICITY; PUBLICITY BOARD; FIRST CLASS CITIES.

Any city of the first class may expend money for city publicity purposes. The city may levy a tax, not exceeding 0.00080 percent of taxable market value. The proceeds of the levy shall be expended in the manner and for the city publicity purposes the council directs. The council may establish and provide for a publicity board or bureau to administer the fund, subject to the conditions and limitations the council prescribes by ordinance.

History: *1989 c 277 art 4 s 66*

469.188 TAX FOR ADVERTISING RESOURCES; CITIES OF SECOND OR THIRD CLASS.

The governing body of any city of the second or third class in this state may levy a tax not to exceed 0.00806 percent of taxable market value for the purpose of advertising agricultural, industrial business, and all other resources of the community.

History: *1989 c 277 art 4 s 67*

469.190 LOCAL LODGING TAX.

Subdivision 1. **Authorization.** Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, and a town may by the affirmative vote of the electors at the annual town meeting, or at a special town meeting, impose a tax of up to three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground.

[For text of subds 2 to 7, see M.S.1988]

History: *1989 c 277 art 1 s 30*

469.191 CONTRIBUTIONS TO REGIONAL OR LOCAL ORGANIZATIONS.

A home rule or statutory city or town described in section 368.01, subdivision 1 or 1a, may appropriate not more than $50,000 annually out of the general revenue fund of the jurisdiction to be paid to any incorporated development society or organization of this state for promoting, advertising, improving, or developing the economic and agricultural resources of the city or town.

History: *1989 c 165 s 1*

469.201 DEFINITIONS.

Subdivision 1. **Applicability.** The definitions in this section apply to sections 469.201 to 469.207.

Subd. 2. **City.** "City" means a city of the first class as defined in section 410.01. For each city, a port authority, housing and redevelopment authority, or other agency or instrumentality, the jurisdiction of which is the territory of the city, is included within the meaning of city.

Subd. 3. **City council.** "City council" means the city council of a city as defined in subdivision 2.

Subd. 4. **City matching money.** (a) "City matching money" means the money of a city specified in a revitalization program. The sources of city matching money may include:

(1) money from the general fund or a special fund of a city used to implement a revitalization program;

(2) money paid or repaid to a city from the proceeds of a grant that a city has received from the federal government, a profit or nonprofit corporation, or another entity or individual, that is to be used to implement a revitalization program;

(3) tax increments received by a city under sections 469.174 to 469.179 or other law, if eligible, to be spent in the targeted neighborhood;

(4) the greater of the fair market value or the cost to the city of acquiring land, buildings, equipment, or other real or personal property that a city contributes, grants, leases, or loans to a profit or nonprofit corporation or other entity or individual, in connection with the implementation of a revitalization program;

(5) city money to be used to acquire, install, reinstall, repair, or improve the infrastructure facilities of a targeted neighborhood;

(6) money contributed by a city to pay issuance costs, fund bond reserves, or to otherwise provide financial support for revenue bonds or obligations issued by a city for a project or program related to the implementation of a revitalization program;

(7) money derived from fees received by a city in connection with its community development activities that are to be used in implementing a revitalization program;

(8) money derived from the apportionment to the city under section 162.14 or by special law, and expended in a targeted neighborhood for an activity related to the revitalization program;

(9) administrative expenses of the city that are incurred in connection with the planning, implementation, or reporting requirements of sections 469.201 to 469.207.

(b) City matching money does not include:

(1) city money used to provide a service or to exercise a function that is ordinarily provided throughout the city, unless an increased level of the service or function is to be provided in a targeted neighborhood in accordance with a revitalization program;

(2) the proceeds of bonds issued by the city under chapter 462C or 469 and payable solely from repayments made by one or more nongovernmental persons in consideration for the financing provided by the bonds; or

(3) money given by the state to fund any part of the revitalization program.

Subd. 5. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

Subd. 6. **Housing activities.** "Housing activities" include any work or undertaking to provide housing and related services and amenities primarily for persons and families of low or moderate income. This work or undertaking may include the planning of buildings and improvements; the acquisition of real property which may be needed immediately or in the future for housing purposes and the demolition of any existing improvements; and the construction, reconstruction, alteration, and repair of new and existing buildings. Housing activities also include the provision of a housing rehabilitation and energy improvement loan and grant program with respect to any residential property located within the targeted neighborhood, the cost of relocation relating to acquiring property for housing activities, and programs authorized by chapter 462C.

Subd. 7. **Lost unit.** "Lost unit" means a rental housing unit that is lost as a result of revitalization activities because it is demolished, converted to an owner-occupied unit that is not a cooperative, or converted to a nonresidential use, or because the gross rent to be charged exceeds 125 percent of the gross rent charged for the unit six months before the start of rehabilitation.

Subd. 8. **Persons and families of low income.** "Persons and families of low income" means persons and families of low income as defined in section 469.002, subdivision 17.

Subd. 9. **Persons and families of moderate income.** "Persons and families of moderate income" means persons and families of moderate income as defined in section 469.002, subdivision 18.

Subd. 10. **Targeted neighborhood.** "Targeted neighborhood" means an area including one or more census tracts, as determined and measured by the Bureau of Census of the United States Department of Commerce, that a city council determines in a resolution adopted under section 469.202, subdivision 1, meets the criteria of section 469.202, subdivision 2, and any additional area designated under section 469.202, subdivision 3.

Subd. 11. **Targeted neighborhood money.** "Targeted neighborhood money" means the money designated in the revitalization program to be used to implement the revitalization program.

Subd. 12. **Targeted neighborhood revitalization and financing program.** "Targeted neighborhood revitalization and financing program," "revitalization program," or "program" means the targeted neighborhood revitalization and financing program adopted in accordance with section 469.203.

History: *1989 c 328 art 6 s 12*

469.202 DESIGNATION OF TARGETED NEIGHBORHOODS.

Subdivision 1. **City authority.** A city may by resolution designate targeted neighborhoods within its borders after adopting detailed findings that the designated neighborhoods meet the eligibility requirements in subdivision 2 or 3.

Subd. 2. **Eligibility requirements for targeted neighborhoods.** An area within a city

is eligible for designation as a targeted neighborhood if the area meets two of the following three criteria:

(a) The area had an unemployment rate that was twice the unemployment rate for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the 1980 federal decennial census.

(b) The median household income in the area was no more than half the median household income for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the 1980 federal decennial census.

(c) The area is characterized by residential dwelling units in need of substantial rehabilitation. An area qualifies under this paragraph if 25 percent or more of the residential dwelling units are in substandard condition as determined by the city, or if 70 percent or more of the residential dwelling units in the area were built before 1940 as determined by the 1980 federal decennial census.

Subd. 3. **Additional area eligible for inclusion in targeted neighborhood.** (a) A city may add to the area designated as a targeted neighborhood under subdivision 2 additional area extending up to four contiguous city blocks in all directions from the designated targeted neighborhood. For the purpose of this subdivision, "city block" has the meaning determined by the city; or

(b) The city may enlarge the targeted neighborhood to include portions of a census tract that is contiguous to a targeted neighborhood, provided that the city council first determines the additional area satisfies two of the three criteria in subdivision 2.

History: *1989 c 328 art 6 s 13*

469.203 TARGETED NEIGHBORHOOD REVITALIZATION AND FINANCING PROGRAM REQUIREMENTS.

Subdivision 1. **Comprehensive revitalization and financing program.** For each targeted neighborhood for which a city requests state financial assistance under section 469.204, the city must prepare a comprehensive revitalization and financing program that includes the following:

(1) the revitalization objectives of the city for the targeted neighborhood;

(2) the specific activities or means by which the city intends to pursue and implement the revitalization objectives;

(3) the extent to which the activities identified in clause (2) will benefit low- and moderate-income families, will alleviate the blighted condition of the targeted neighborhood, or will otherwise assist in the revitalization of the targeted neighborhood;

(4) a statement of the intended outcomes to be achieved by implementation of the revitalization program, how the outcomes will be measured both qualitatively and quantitatively, and the estimated time over which they will occur; and

(5) a financing program and budget that identifies the financial resources necessary to implement the revitalization program, including:

(i) the estimated total cost to implement the revitalization program;

(ii) the estimated cost to implement each activity in the revitalization program identified in clause (2);

(iii) the estimated amount of financial resources that will be available from all sources other than from the appropriation available under section 469.204 to implement the revitalization program, including the amount of private investment expected to result from the use of public money in the targeted neighborhood;

(iv) the estimated amount of the appropriation available under section 469.204 that will be necessary to implement the revitalization program;

(v) a description of the activities identified in the revitalization program for which the state appropriation will be committed or spent; and

(vi) a statement of how the city intends to meet the requirement for a financial contribution from city matching money in accordance with section 469.204, subdivision 3.

Subd. 2. **Targeted neighborhood participation in preparing revitalization program.** A city requesting state financial assistance under section 469.204 shall adopt a process to involve the residents of targeted neighborhoods in the development, drafting, and implementation of the revitalization program. The process shall include the use of a citizen participation process established by the city. A description of the process must be included in the program. The process to involve residents of the targeted neighborhood must include at least one public hearing. The city of Minneapolis shall establish the community-based process as outlined in subdivision 3. The city of St. Paul shall use the same community-based process the city used in planning, developing, drafting, and implementing the revitalization program required under Laws 1987, chapter 386, article 6, section 6. The city of Duluth shall use the same citizen participation process the city used in planning, developing, and implementing the federal funded community development program.

Subd. 3. **Community participation; Minneapolis.** (a) For the purposes of this subdivision, "city" means the city of Minneapolis.

(b) The city shall adopt a process to involve the residents in targeted neighborhoods and assisted housing in planning, developing, and implementing the program. As part of this process, the city shall ensure that the community-based process has sufficient resources to assist in the development of the program and that the advisory board is established.

(c) Beginning with the program for 1991, each targeted neighborhood or group of targeted neighborhoods in the city must have a strategic planning group whose members include residents of the targeted neighborhood and representatives of institutions in the neighborhood. The group shall, as part of its responsibilities, develop a strategic plan for the neighborhood. This strategic plan must include the elements that the planning group recommends as part of the program. The strategic plan must also address how the targeted neighborhood portions of the revitalization program will be integrated with the elements that are recommended to be included as part of the community resources program if such a program is developed in the city. If possible, the city shall integrate the community participation process required under this subdivision with the community participation process required for the development of the community resources program if such a program is developed in the city.

(d) The city shall ensure that the strategic planning group required under paragraph (c) is established. An existing group or organization that reflects the required membership under paragraph (c) may be designated as the strategic planning group. The city may provide financial and staff resources to ensure the establishment of the strategic planning groups, and may use part of the money received from the state under section 469.204 to assist in the establishment of the targeted neighborhood strategic planning groups.

(e) As part of the process for the development of the program, each targeted neighborhood strategic planning group shall submit assigned priority recommendations for the revitalization program to the city and the advisory board established under paragraph (f).

(f) The city shall establish an urban revitalization action program advisory committee to assist the city in developing and implementing the preliminary revitalization program. The advisory committee shall consist of at least two representatives of the city council appointed by the city council, one or more for-profit or nonprofit housing developers, one or more representatives of the business community appointed by the city's chamber of commerce, and resident representatives of the targeted neighborhoods. The representatives of the targeted neighborhoods shall represent a majority of the membership of the advisory committee and reflect the geographic, cultural, racial, and ethnic diversity of the targeted neighborhoods. The city may determine the size of the advisory committee and may designate an existing entity as the advisory committee if the entity meets the membership requirements outlined in this subdivision.

(g) The advisory committee shall work closely with city staff in developing and

drafting the preliminary revitalization program. The advisory committee shall be involved in assessing needs, prioritizing funds, and developing criteria for evaluating program proposals. In developing the preliminary program, the advisory committee shall give consideration to the recommendations made by the targeted neighborhood strategic planning groups.

(h) The advisory committee shall conduct a public hearing and secure input from residents of targeted neighborhoods, business persons, governmental units affected by the program, and other organizations and persons.

(i) The advisory committee and city staff may make any changes to the preliminary program resulting from testimony given at the public hearing. The advisory committee must formally recommend to the city council a preliminary revitalization program.

Subd. 4. **City approval of program.** (a) For the purposes of this subdivision, "city" means the cities of Minneapolis and Duluth.

(b) Before adoption of a revitalization program under paragraph (c), the city must submit a preliminary program to the commissioner, the state planning agency, and the Minnesota housing finance agency for their comments. The city may not adopt the revitalization program until comments have been received from the state agencies or 30 days have elapsed without response after the program was sent to them. Comments received by the city from the state agencies within the 30-day period must be responded to in writing by the city before adoption of the program by the city.

(c) The city may adopt a revitalization program only after holding a public hearing after the program has been prepared. Notice of the hearing must be provided in a newspaper of general circulation in the city and in the most widely circulated community newspaper in the targeted neighborhoods not less than ten days nor more than 30 days before the date of the hearing.

(d) A certification by the city that a revitalization program has been approved by the city council for the targeted neighborhood must be provided to the commissioner together with a copy of the program. A copy of the program must also be provided to the Minnesota housing finance agency and the state planning agency.

(e) A revitalization program for the city may be modified at any time by the city council after a public hearing, notice of which is published in a newspaper of general circulation in the city and in the targeted neighborhood at least ten days nor more than 30 days before the date of the hearing. If the city council determines that the proposed modification is a significant modification to the program originally certified under paragraph (d), the city council shall implement the revitalization program approval and certification process of this subdivision for the proposed modification.

Subd. 5. **City of Saint Paul approval.** (a) Notwithstanding any other law, including laws passed by the 1989 legislature, the city of St. Paul must use the process under this subdivision for developing and certifying an urban revitalization action program.

(b) For the purposes of this subdivision, "city" means the city of Saint Paul.

(c) A city may approve a preliminary revitalization program developed through a process that includes the citizen participation required under subdivision 2 only after holding a public hearing. Notice of the hearing must be provided in a newspaper of general circulation in the city and in the targeted neighborhoods not less than ten days nor more than 30 days before the date of the hearing. After the public hearing and after the city has incorporated any changes into the preliminary program as a result of the public hearing, the city may approve the preliminary program and shall submit the approved preliminary program for final approval to the review board.

(d) After approval, the city shall submit the preliminary program to the commissioner, the state planning agency, and the Minnesota housing finance agency for their comments. The state agencies have 30 days to provide comments to the preliminary program. State agency comments must be submitted in writing to the review board established under paragraph (e).

(e) The city shall establish a city urban revitalization action program review board

whose purpose is to review the preliminary program submitted by the city, and approve all or portions of the program. The review board consists of two city council members who represent targeted neighborhoods, two members representing the city's business community appointed by the chamber of commerce representing businesses in the city, and three residents of targeted neighborhoods appointed by the city council. Two members of the house of representatives and one member of the state senate appointed by the city's legislative delegation shall be nonvoting members of the review board. Nonvoting legislative members of the review board shall represent targeted neighborhoods. A member of the review board may not be an elected public official, or in any way be involved in preparing or implementing the program or any portion of the program. The review board may require the city to contract for staff assistance in reviewing and approving the program. Persons who provide staff assistance to the review board may not be city employees or in any way involved in a formal or informal organization representing residents of a targeted neighborhood. The city may use state money available under section 469.204 to pay for the costs of staffing the review board.

(f) The review board shall review the city's preliminary program and approve all or portions of the program. In reviewing the program, the review board shall take into account any comments submitted by state agencies under paragraph (d). The review board may only reject the revitalization program or portions of the program for the following reasons:

(1) the revitalization program does not include the information required under subdivision 1;

(2) the city did not follow the community-based process required under subdivision 2 for developing the revitalization program; or

(3) the revitalization program results in undue concentration of targeted neighborhood money in a single proposed activity or project.

The review board may approve all of the preliminary program and submit it to the city council for certification under paragraph (g) or submit for certification only those specific portions of the program approved by the review board. If the review board does not approve a portion of the program, it shall specify in writing to the city the reasons for not approving that portion of the program and any recommendations for changes. If the review board determines that a portion of the program needs significant changes, it may require the city to implement the community participation process under subdivision 2 and state review under this subdivision for making changes to that portion of the program.

(g) The city council may, by formal resolution, certify only those portions of a program approved by the review board under paragraph (f). A certification by the city council that all or portions of a revitalization program has been approved by the review board must be provided to the commissioner together with a copy of the approved portions of the program. A copy of the approved portions of the program must be submitted to the state planning agency and Minnesota housing finance agency.

(h) A revitalization program may be modified at any time by the city after a public hearing and approval by the review board. Notice of the public hearing must be published in a newspaper of general circulation in the city and in the targeted neighborhoods not less than ten days nor more than 30 days before the date of the hearing. If the review board determines that the proposed modification is a significant modification to the program originally certified under paragraph (g), it must require the implementation of the revitalization program approval and certification process under this subdivision for the proposed modification.

History: *1989 c 328 art 6 s 14*

469.204 PAYMENT; CITY MATCHING MONEY; DRAWDOWN; USES OF STATE MONEY.

Subdivision 1. **Payment of state money.** Upon receipt from a city of a certification that a revitalization program has been adopted or modified, the commissioner shall,

within 30 days, pay to the city the amount of state money identified as necessary to implement the revitalization program or program modification. State money may be paid to the city only to the extent that the appropriation limit for the city specified in subdivision 2 is not exceeded. Once the state money has been paid to the city, it becomes targeted neighborhood money for use by the city in accordance with an adopted revitalization program and subject only to the restrictions on its use in sections 469.201 to 469.207.

Subd. 2. **Allocation.** Each city of the first class, as defined in section 410.01, may receive a part of the appropriations made available that is the proportion that the population of such city bears to the combined population of such cities of the first class. One city may agree to reduce its entitlement amount and to make it available to another city. For the purposes of this subdivision the population of each city is determined according to the most recent estimates available to the commissioner. Interest earned by a city from money paid to the city must be repaid to the commissioner annually unless the revitalization program identifies the interest as necessary to implement the revitalization program and the requirement for city matching money is satisfied with respect to the interest.

Subd. 3. **City matching money; drawdown and restriction on use of state money.** A city may spend state money only if the revitalization program identifies city matching money to be used to implement the program in an amount equal to the state appropriation paid to the city. A city must keep the state money in a segregated fund for accounting purposes.

History: *1989 c 328 art 6 s 15*

469.205 CITY POWERS AND ELIGIBLE USES OF TARGETED NEIGHBORHOOD MONEY.

Subdivision 1. **Consolidation of existing powers in targeted neighborhoods.** A city may exercise any of its corporate powers within a targeted neighborhood. Those powers shall include, but not be limited to, all of the powers enumerated and granted to any city by chapters 462C, 469, and 474A. For the purposes of sections 469.048 to 469.068, a targeted neighborhood is considered an industrial development district. A city may exercise the powers of chapters 469.048 to 469.068 in conjunction with, and in addition to, exercising the powers granted by sections 469.001 to 469.047 and chapter 462C, in order to promote and assist housing construction and rehabilitation within a targeted neighborhood. For the purposes of section 462C.02, subdivision 9, a targeted neighborhood is considered a "targeted area."

Subd. 2. **Grants and loans.** In addition to the authority granted by other law, a city may make grants, loans, and other forms of public assistance to individuals, for-profit and nonprofit corporations, and other organizations to implement a revitalization program. The public assistance must contain the terms the city considers proper to implement a revitalization program.

Subd. 3. **Eligible uses of targeted neighborhood money.** The city may spend targeted neighborhood money for any purpose authorized by subdivision 1 or 2, except that an amount equal to at least 50 percent of the state payment under section 469.204 made to the city must be used for housing activities. Use of target neighborhood money must be authorized in a revitalization program.

History: *1989 c 328 art 6 s 16*

469.206 HAZARDOUS PROPERTY PENALTY.

A city may assess a penalty up to one percent of the market value of real property, including any building located within the city that the city determines to be hazardous as defined in section 463.15, subdivision 3. The city shall send a written notice to the address to which the property tax statement is sent at least 90 days before it may assess the penalty. If the owner of the property has not paid the penalty or fixed the property within 90 days after receiving notice of the penalty, the penalty is considered delin-

quent and is increased by 25 percent each 60 days the penalty is not paid and the property remains hazardous. For the purposes of this section, a penalty that is delinquent is considered a delinquent property tax and subject to chapters 279, 280, and 281, in the same manner as delinquent property taxes.

History: *1989 c 328 art 6 s 17*

469.207 ANNUAL AUDIT AND REPORT.

Subdivision 1. **Annual financial audit.** In 1989 and subsequent years, at the end of each calendar year, the legislative auditor shall conduct a financial audit to review the spending of state money under sections 469.201 to 469.207. Before spending state money to implement a revitalization program, the city must consult with the legislative auditor to determine appropriate accounting methods and principles that will assist the legislative auditor in conducting its financial audit. The results of the financial audit must be submitted to the legislative audit commission, the commissioner, the state planning agency, and the Minnesota housing finance agency.

Subd. 2. **Annual report.** A city that begins to implement a revitalization program in a calendar year must, by March 1 of the succeeding calendar year, provide a detailed report on the revitalization program or programs being implemented in the city. The report must describe the status of the program implementation and analyze whether the intended outcomes identified in section 469.203, subdivision 1, clause (4), are being achieved. The report must include at least the following:

(1) the number of housing units, including lost units, removed, created, lost, replaced, relocated, and assisted as a result of the program. The level of rent of the units and the income of the households affected must be included in the report;

(2) the number and type of commercial establishments removed, created, and assisted as a result of a revitalization program. The report must include information regarding the number of new jobs created by category, whether the jobs are full-time or part-time, and the salary or wage levels of both new and expanded jobs in the affected commercial establishments;

(3) a description of a statement of the cost of the public improvement projects that are part of the program and the number of jobs created for each $20,000 of money spent on commercial projects and applicable public improvement projects;

(4) the increase in the tax capacity for the city as a result of the assistance to commercial and housing assistance; and

(5) the amount of private investment that is a result of the use of public money in a targeted neighborhood.

The report must be submitted to the commissioner, the Minnesota housing finance agency, the state planning agency, and the legislative audit commission, and must be available to the public.

History: *1989 c 328 art 6 s 18*